

## **LOUDOUN COUNTY**

### **DOWNPAYMENT/CLOSING COSTS ASSISTANCE PROGRAM (DPCC)**

#### **PROGRAM INFORMATION FOR LENDERS**

##### **Eligibility:**

1. Individuals, families or households must be first-time homebuyers or not had ownership interest in a home or other residential property within the last three (3) years anywhere within the United States, foreign land or country. Ownership interest includes but may not be limited to: ownership or purchase of a home or land; co-signatory on a mortgage loan; inherit home or land etc., regardless if borrower(s) did or did not live on the premises. **Note:** Displaced homemakers participating in the ADU program will be considered on a case by case basis.
2. Minimum mid-range credit score: 620
3. There must be a demonstrated need for funding. Liquid assets exceeding the equivalency of three months of mortgage payments may be required to be used toward down payment prior to use of DPCC funds. Homebuyers must contribute a minimum of \$1,000 of their own funds towards the downpayment/closing costs prior to settlement.
4. Gross annual household income must fall within **\$42,700 through \$99,650**. Income range is subject to change based on annual HUD calculations.
5. All individuals, families or households must currently reside and/or work in Loudoun County for a minimum of the most recent 6 months. Documentation of residency and/or work will be required. Documents may include but are not limited to: Virginia Drivers License or Identification card; wage statements; utility bills; current lease agreement; or legal documents reflecting current residency. Returning military personnel who met the residency requirements prior to active-duty assignments must provide evidence establishing previous residency.
6. **Non-Occupying Co-Mortgagers:** The County will not provide DPCC funding to households who require a "Non-Occupying Co-Mortgager". All parties on the Title must occupy the property.

##### **Loan Terms and Conditions:**

1. Standard Eligibility Requirements Apply
2. The loan amount is up to 10% of the home purchase price or a maximum of \$25,000, whichever is less.
3. The mortgage loan term is 30 years with an interest rate of 5%.
4. The loan is recorded as a subordinate lien (second mortgage).
5. Payment coupons will be mailed prior to due date.
6. There is no pre-payment penalty for early payoff.

7. DPCC loan funds are limited and are available on a first come – first served basis. There is no guarantee that funding will be available when needed. If funds are depleted, clients may opt to be placed on a waiting list. Being on the wait list does not guarantee funds will become available when needed.
8. DPCC funds must be used for down payment and/or usual and customary closing costs only (see limits below). Funds may not be used as earnest money. Fees provided at application (i.e. - credit report, appraisal etc) cannot be reimbursed to borrowers with DPCC loan funds.
  - **No cash-back at closing is allowed.** Loan funds will be for the exact amount needed for downpayment/closing costs assistance. No cash back at settlement includes earnest money deposits (EMD) exceeding the DPCC program required minimum of \$1,000.
9. A Title Insurance policy is required.
10. Recording fees are required.
11. Borrower(s) must show a dedicated need for funding and **must** contribute a minimum of \$1,000 of own funds towards downpayment/closing costs.
12. Liquid assets in excess of six months of mortgage payments may be required to contribute an amount greater than \$1,000 prior to use of DPCC funds towards down payment and closing costs.
13. Borrower's net worth must not exceed 50% of the sales price (retirement, life insurance, college savings plans and personal property are excluded)
14. A onetime \$200 servicing fee is due at closing payable to County of Loudoun. This fee cannot be financed. Borrower must bring a check to closing or risk rescheduling of closing date. This fee does not appear on the HUD1.
15. DPCC loans must be used in conjunction with Conventional, FHA, VA, USDA Rural or VHDA first trust mortgage products. The County will not provide DPCC financing if First Trust is a Subprime or ARM loan.
16. **Ratios exceeding 32/42 may not be eligible for DPCC financing.** Exceptions may be considered for ratios up to 33/44 with a minimum of three (3) Compensating Factors on a case by case basis (please refer below examples). Ratios exceeding 33/44 will be denied by the Loan Specialist and not eligible for consideration by Loan Committee. Applicants having funding requests denied by Loan Committee may not re-apply for Twelve (12) months.
17. VHDA Homebuyer Education class & certificate required for all borrowers. A copy of the certificate(s) must be received no later than one (1) week prior to closing.
18. All borrowers must attend a Loudoun County HomeCents Seminar either prior to or within 6 months of settlement.
19. Payments are due on the 1<sup>st</sup> of the month. If not received by the 15<sup>th</sup>, a late fee of 5% of the monthly payment will be charged. Extreme defaults in repayment may result in the loan being sent to the County's Debt Offset department, which may garnish wages, tax refunds and other sources of income.
20. Example of Compensating Factors are:
  - The borrower has demonstrated an ability to accumulate savings and a conservative attitude toward the use of credit.
  - The borrower has successfully demonstrated the ability to pay housing expenses equal to or greater than the proposed monthly housing expense for the new mortgage.

- The borrower makes a large down payment
- There is only a minimal increase in the borrower's housing expense
- The borrower has substantial documented cash reserves (at least three months' worth) after closing.
- The borrower has a potential for increased earnings, as indicated by job training or educations in the borrower's profession.

#### **Application Procedure:**

1. Applicants may apply online at [www.loudoun.gov/housing](http://www.loudoun.gov/housing) under the Homeownership Loan Programs link. After submission of application & required documents, staff will determine eligibility and notify borrower of conditional approval or denial for the program. This does not constitute a reservation of DPCC funds nor first trust loan approval.
2. Lenders must provide a signed ratified sales contract, Loan Estimate and 1003 prior to reservation of funds. Borrowers are not allowed to reserve DPCC funds.
3. A DPCC Request for Reservation of Funds must be submitted by lender only. **Note:** Funds cannot be reserved prior to application approval or receipt of required documents.
4. Following submission of all documents and the Request for Reservation of Funds, a loan request will be prepared and presented to Loan Committee for approval/denial. If Debt to Income Ratios exceed program parameters, funding requests may be denied. Loan Committee considers all contents of the loan file. All DPCC Loan requests must be received by 1 pm three days before scheduled Loan Committee to be considered for funding. Packages received after 1 pm will be prepared and presented at the next scheduled Loan Committee.
5. If funds are available, borrower and lender will receive a *Confirmation of Reservation of Funds*. Reservations are valid for 90 days. Extensions may be considered on a case by case basis. **Note:** If DPCC funds are depleted, borrower(s) may opt to be placed on a waiting list. Funds are replenished through monthly payments and payoffs of previous DPCC loans. Placement on the waiting list does not guarantee funds will be available when needed. If funds become available prior to loan closing, client and lender will be notified.
6. **Following DPCC Loan Committee approval, settlement may not take place for 15 business days. No exceptions are allowed.** For delayed closings, lenders must contact DFS to confirm we have received notice of settlement date **at least 3 weeks prior to settlement date.**
7. Borrower(s) must submit \$200 servicing fee payable to County of Loudoun at closing.
8. The loan is repayable over 30 years. There is no penalty for early payoff.

#### **Limits to the Usual and Customary Closing Costs (HUD-1) Include:**

- A. Sales commissions:
  - i. No charges for Realtor and/or Broker sales commissions or Admin/Processing fees will be covered with DPCC Funds
- B. Items payable in Connection with loan:
  - i. Origination fee to 1%
  - ii. Discount – not to exceed 2%

- iii. Other lender fees may include processing, underwriting and review fees
- iv. Appraisal fee – not to exceed \$400
- v. Credit Report – not to exceed \$50
- vi. Flood Certification –not to exceed \$20
- vii. Tax Service – not to exceed \$90
- viii. Lender closing fee
- ix. IRS Tax Transcripts

C. Lender Items paid in advance:

- i. Interest – Date of settlement to end of month
- ii. Hazard Ins. Premium – no more than 1 year
- iii. Private Mortgage Ins. Premium – not to exceed 2.25 %

D. Reserves Deposited with lender:

- i. Hazard Ins. – no more than 3 months
- ii. Mortgage Ins. – no more than 2 month
- iii. County/City taxes – no more than 6 months

E. Title Charges:

- i. Usual & customary fees for services to include Settlement Fee, Notary and Courier Fees, Lender and Owner Title Insurance, Title Exam, Title Binder and Survey

F. Govt. Recording and Transfer Charges:

- i. Usual & customary fees to include Borrower's Recording Fees, Borrower's transfer

G. Additional Charges:

- i. HOA dues not to exceed 2 months
- ii. Condo dues not to exceed 2 months
- iii. Condo/HOA Set-up fee – not to exceed \$200
- iv. HOA Statement Fee
- v. Home Warranty

- **Country Club initiation fees, Capital Contributions, monthly dues or maintenance charges in relation to mandatory Country Club membership are not covered under the DPCC program. Buyer will need to pay these fees at settlement - no exceptions.**
- Any charges on the HUD-1 not listed under above headings will require review and approval by Loudoun County Department of Family Services.
- Settlements should be scheduled no later than 2 PM Monday – Friday, excluding Federal and/or State Holidays. Please note: days the County of Loudoun is closed for business due to severe weather or a state or emergency will require rescheduling. Settlements scheduled later than 2 PM risk being required to be rescheduled to the next business day.

- HUD-1 submitted by the Title Company for approval and/or requests for changes to the DPCC loan documents will not be reviewed nor approved after 3 PM. Settlement will be required to be rescheduled to the next available business day.

**Agency Approvals:**

The County has not submitted paperwork to HUD, VA, FNMA or FHLMC for specific approvals for this program. If approvals are required, lenders must submit paperwork to applicable agency.

Please note: in accordance with Items 1 – 13 in Section 5 (Secondary Financing) of HUD Handbook 4155.1 REV-4 Change 1, as a local government agency, Loudoun County is exempt from requiring a HUD approval of the program.

**Refinance/Subordinations:** Refinancing of the first trust loan may require payoff of the DPCC loan. The County will not subordinate the DPCC loan if cash is received from the refinance. Additionally, the County will not subordinate the DPCC loan if a Home Equity Loan, Home Equity Line of Credit or similar loan product is obtained. The DPCC loan must be paid in full with the proceeds. Additionally, a DPCC loan in a default status (past due payments) will not be subordinated.

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